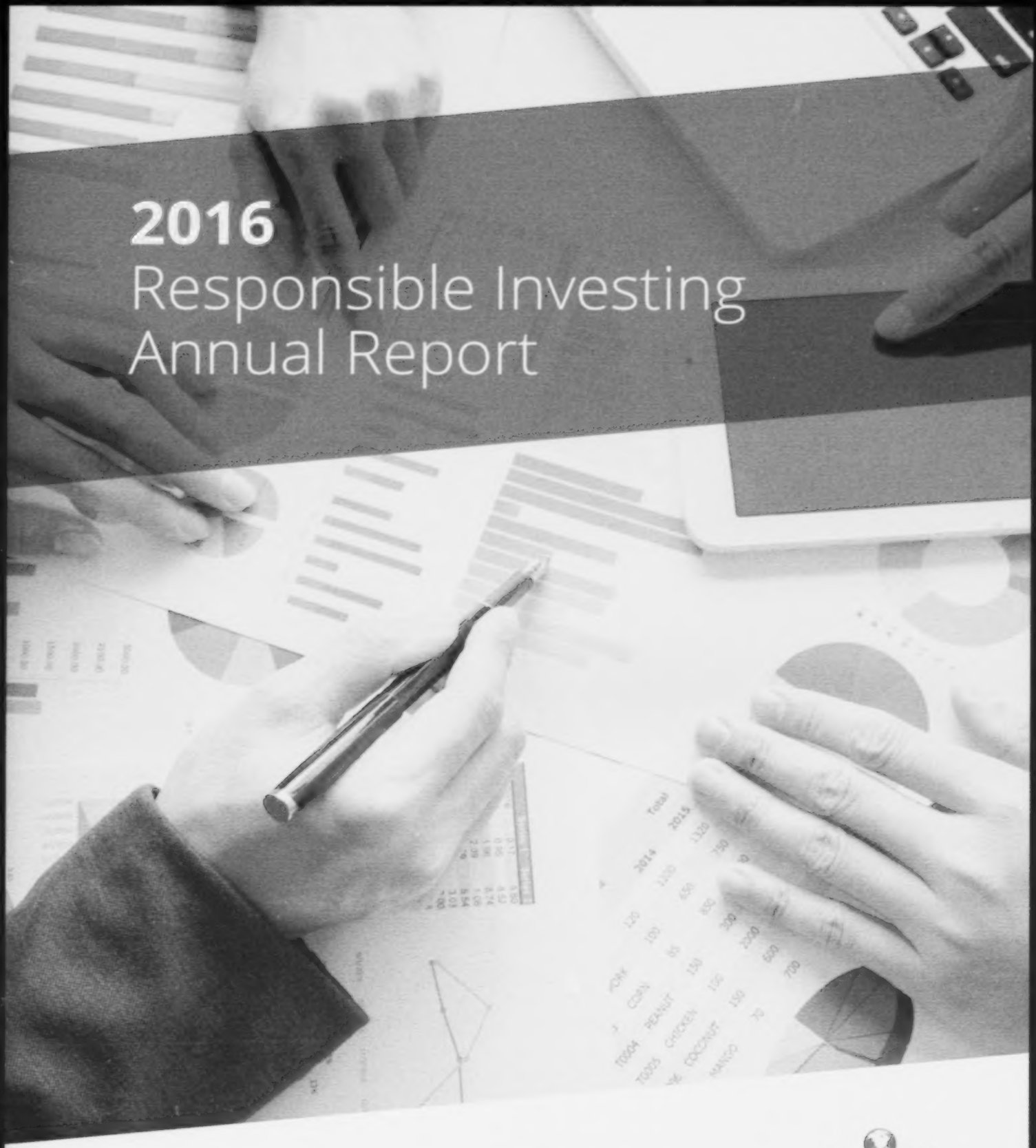


2016 Responsible Investing Annual Report

INVESTING RESPONSIBLY FOR RESULTS

bc imc

Table of Contents

1 bcIMC and Responsible Investing

1 Highlights of the Year

2 To Our Clients

3 Principles for Responsible Investment

4 bcIMC's PRI Involvement

5 Fixed Income & Foreign Exchange

6 Mortgages

7 Public Equities

12 Private Equity

13 Infrastructure & Renewable Resources

14 Real Estate

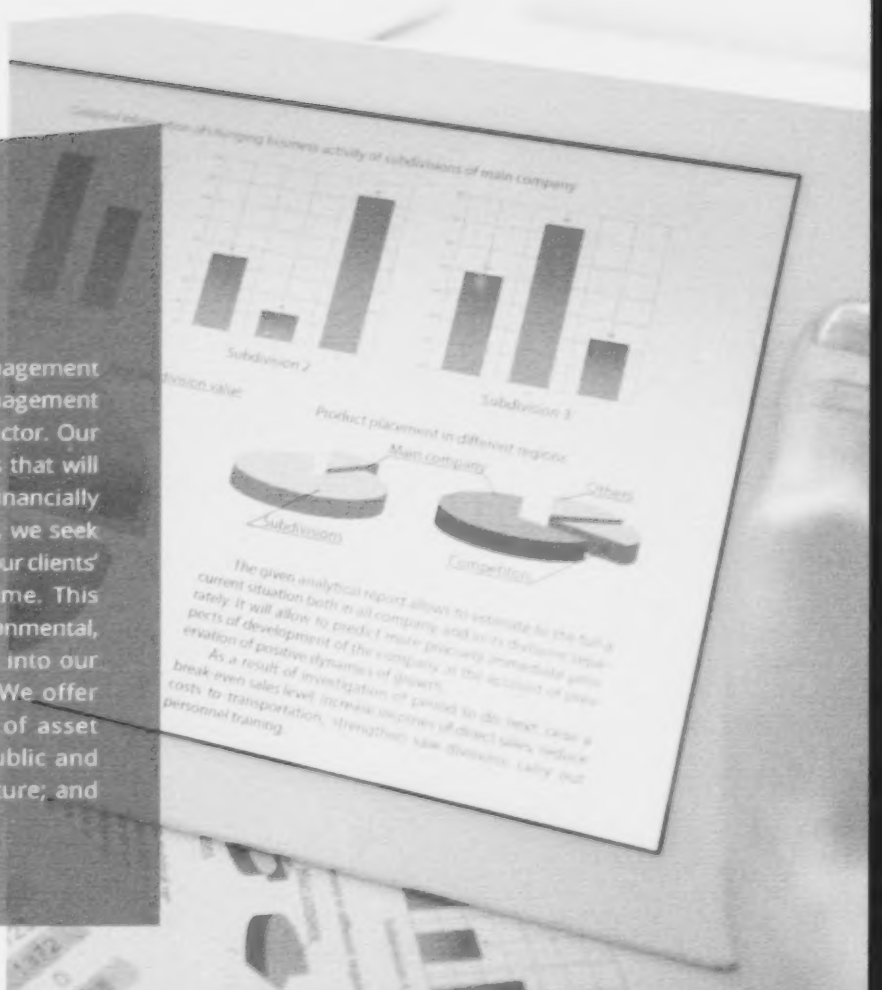
16 bcIMC's Policy Submissions

18 Collaboration

20 Events

22 Reporting and Disclosure

23 Appendix



About bcIMC

The British Columbia Investment Management Corporation provides investment management services to British Columbia's public sector. Our role is to generate investment returns that will help our institutional clients build a financially secure future. With our global outlook, we seek investment opportunities that will meet our clients' risk and return requirements over time. This compels us to integrate long-term environmental, social, and governance (ESG) matters into our investment decisions and activities. We offer investment options across a range of asset classes: fixed income; mortgages; public and private equity; real estate; infrastructure; and renewable resources.

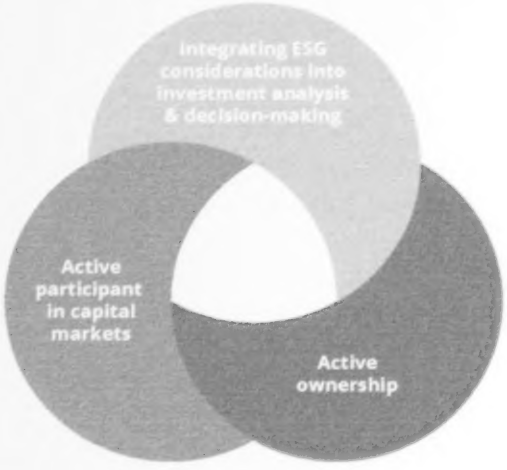
bcIMC and Responsible Investing

Responsible investing is an essential part of the investment beliefs shared by bcIMC, the pension funds, and many of the other clients for which we invest.

Our primary mandate is to create long-term client wealth and protect the value of our clients' funds. The majority of the funds we manage belong to pension plans. As pension funds have long-term obligations and seek a specified rate of return to fund these obligations, bcIMC is required to invest our clients' funds to generate the expected returns. We adhere to the applicable requirements of the *Pension Benefits Standards Act* and other legislation, as well as the legal contracts established by our clients.

Assessing and managing investment risk is an integral part of how we meet our responsibility. As part of the prudent investment management of our clients' funds, we aim to actively manage the long-term investment / financial risks and opportunities that ESG matters present, both now and into the future.

Responsible investing is part of our investment style; our approach is based on three core activities:


Integrating ESG considerations into investment analysis & decision-making
Active participant in capital markets
Active ownership

Further details about our approach and activities are included in our *An overview of bcIMC's Approach to Responsible Investing*.

HIGHLIGHTS OF THE YEAR

1. **OVERALL OUTPERFORMED OUR PEERS** as reported in the 2016 PRI Assessment Results
2. **CONTRIBUTED CASE STUDY** to PRI's *A practical guide to ESG integration for equity investing* — published in 2016
3. **CO-FILED FIRST CLIMATE-RELATED SHAREHOLDER PROPOSAL** as published in our April 2016 Newsletter
4. Signed **PRI'S STATEMENT ON ESG IN CREDIT RATINGS**
5. **SUBMITTED 27 POLICY SUBMISSIONS** to regulators and standard setting bodies

To Our Clients:

As a long-term investor, bcIMC focuses on sourcing the best investments possible to generate the returns our clients need to meet their financial obligations. As we believe companies that manage environmental, social, and governance (ESG) matters perform better over the long term, we integrate responsible investing into our approach and processes across all asset classes.

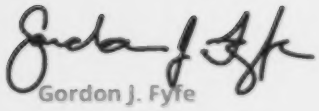
bcIMC considers responsible investing at every stage of the investment process. We implement ESG considerations into our due diligence and research during our pre-investment analysis. Within our mortgage program, this includes measuring and quantifying ratings we assign to environmental features when assessing commercial mortgage applications.

Our ESG assessment continues for the duration of our investments. Within our public equities program, we monitor how our external managers integrate responsible investing matters into their decisions and expect regular updates on their activities. bcIMC also partners with leading international private equity firms such as Cinven who actively integrate ESG considerations into their overall risk assessment of their portfolio companies.

As a founding signatory to the PRI, we are actively involved in committees and engagements that have a direct impact on our portfolio. This year we joined PRI's advisory committee on credit ratings, where we will collaborate with stakeholders to improve the understanding of ESG integration into credit analysis.

ESG matters are becoming a prominent part of our economic landscape. Climate change, for example, is anticipated to have profound negative effects on the majority of sectors, with a growing belief that inaction will lead to staggering costs. This year, bcIMC co-filed our first climate-related shareholder proposal that included other global investors calling on Anglo American Plc to report annually on the resiliency of its business model under different climate scenarios for 2035 and beyond.

Our approach to responsible investing may vary depending on the asset class, but we remain consistent in our focus on keeping ESG considerations top of mind when we are managing risk.



Gordon J. Fyfe

Chief Executive Officer /
Chief Investment Officer

Principles for Responsible Investment

bcIMC became a founding signatory to the Principles for Responsible Investment (PRI) in 2006. The PRI provides a set of principles for institutional investors to consider and through our endorsement, bcIMC is committed to:

1. **Integrating responsible investment** into investment analysis and decision-making processes
2. **Being an active owner** and incorporating ESG issues into our ownership policies and practices
3. **Seeking appropriate disclosure** on ESG issues by the entities in which we invest
4. **Promoting acceptance and implementation** of the Principles within the investment industry
5. **Collaborating with like-minded investors and organizations** to enhance effectiveness in implementing the Principles
6. **Reporting** on our responsible investing activities

Signatory of:

PRI Principles for Responsible Investment

For a listing of bcIMC's Responsible Investing Principles, see Appendix 1 on page 24.

bcIMC's PRI Involvement

Signatory of: PRI Principles for Responsible Investment

Advisory Committee on Credit Ratings

We are a member of this committee, which advises PRI on its program to promote more systemic and transparent incorporation of ESG in credit ratings and assessment. Activities include overseeing expert working groups that address ESG in the ratings of specific categories of fixed income.

Human Rights in Extractive Sector

As a steering committee member, bcIMC helped lay the groundwork for this ongoing collaborative engagement. The group engages with targeted companies aiming to enhance disclosure of human rights policies and practices, and improve implementation of the UN Guiding Principles on Business and Human Rights by oil & gas and mining companies, and relevant joint venture partners. The collaborative group engaged with **33** companies during 2016.

Hydraulic Fracturing

bcIMC is a committee member and a lead investor responsible for engaging four Canadian companies. We encouraged them to implement best practices such as enhanced disclosure of policies, limit the use of fresh water, and invest in energy-efficient technologies. During 2016, the group engaged with **30** companies, as well as provided feedback on a report that will be issued in early 2017.

Labour Standards in the Agricultural Supply Chain

bcIMC was a steering committee member and engaged companies to identify and assess risks relating to working conditions. The goal was to assess corporate practices, encourage enhanced communication and reporting, and support improvement of a target company's performance. The engagement was completed in 2015 and in June 2016 the PRI published the investor guide, *From poor working conditions to forced labour — what's hidden in your portfolio?*

Listed Equity Integration Sub-Committee

We are a member of this sub-committee, which aims to further the integration of ESG data into listed equity markets. Primary activities of the group include reviewing, sourcing, and contributing case studies; reviewing case study guidelines; and reviewing and providing feedback on an ESG integration publication.

Policy Advisory Committee

bcIMC chairs this committee with a mandate to mitigate barriers to a sustainable financial system within the capital markets. The group oversees two projects focusing on long-term investing — identifying and addressing barriers to long-term mandates; and providing guidance to investors about engaging with policymakers.

Private Equity Advisory Committee

The committee brings together Limited Partners and General Partners to raise awareness of PRI's six principles. As a member, we helped develop the PRI's Limited Partners' Responsible Investment Due Diligence Questionnaire to encourage a standardised approach from Limited Partners to incorporating ESG considerations in private equity manager selection. Our three-year term ended in December 2016.

Sustainable Financial System Advisory Group

bcIMC is a member of this advisory group, which has a mandate to address systemic risks and sustainability challenges in the financial system. In doing so, they will contribute to *PRI's 10 Year Blueprint for Responsible Investing*, which is expected to be finalized by early 2017.

Sustainable Stock Exchanges

As a member of this working group, we encourage stock exchanges around the world to enhance listing rules and advance regulatory initiatives. In 2016, the group engaged with **73** companies. The aim is to require companies to disclose their sustainability strategies. This will allow investors to access standardized data they require to integrate ESG factors into their investment analysis and decision making.

Fixed Income & Foreign Exchange

Governance and broader environmental and social factors play a role in credit ratings and practices that may affect bondholders.

As fixed income represents 21.4 per cent[1] of AUM, our actively-managed fixed income program integrates ESG factors into our investment process to provide us with a deeper insight into issuer creditworthiness.

Signing PRI Statement on ESG in Credit Ratings

In 2016 bcIMC, along with 100 other PRI signatories representing US$16 trillion of assets and six credit rating agencies, signed the Statement on ESG in credit ratings. This launched a two-year program designed to bring investors, credit rating agencies, and other stakeholders together in a series of ratings forums around the world to discuss the links between ESG and creditworthiness. The goal is to develop practical solutions for more systematic and transparent incorporation of ESG in credit ratings and analysis.

The initiative recognizes that ESG factors can affect borrowers' cash flows and the likelihood of defaults on their debt obligations. By signing the statement, bcIMC showed support for the systematic integration of ESG matters into credit ratings.

HOW bcIMC USES CREDIT RATINGS IN OUR INVESTMENT ANALYSIS

- We recognize the importance of using multiple resources to assess creditworthiness.
- bcIMC has an in-house credit committee that assesses the financial status of an issuer, its governance structures and risks, and will review an issuer's operations and litigation history. As good corporate governance is the over-arching framework for effective company management and operations, we pay attention to matters such as ownership, executive succession planning, board effectiveness, compensation, and disclosure when assigning our own ratings.
- Credit rating agencies assign credit ratings to determine a debtor's ability to pay back debt by making timely interest payments and the likelihood of default.
- We use ratings from external agencies to supplement our own analysis:
  - DBRS: Largest rating agency in Canada
  - Moody's Corporation
  - S&P Global Ratings

1 Percentage based on assets under management as of March 31, 2016

Mortgages

bcIMC is a major lender to Canada's commercial real estate industry. We focus on strong-yielding loans with attractive risk-return profiles.

At the end of 2016, we had active commitments of more than $943 million to properties that exhibit "green" features. This represents approximately 22 per cent of our committed mortgage program.

We acknowledge that lenders do not have controlling interests over their mortgaged properties and are unable to directly influence ESG matters. However, we look for opportunities to provide financing to like-minded borrowers that allow us to integrate ESG considerations into our mortgage investments.

Adding a green features point system to our credit risk analysis

When assessing applications for commercial mortgages, we favour developments with environmental principles that match our clients' risk and return parameters. We assess variables such as the quality of green building features, the building's structure, mix of tenants, and other financial metrics.

In 2013, bcIMC integrated a "green credit spread process" into our pre-investment analysis to measure and quantify ratings assigned to environmental features of our mortgage investments.

WHY DO WE ASSESS GREEN FEATURES WHEN WE CONSIDER CREDIT RISK?

Environmental features and green initiatives such as double-glazed windows, geothermal heating, and deep lake water cooling work toward more energy efficient buildings and reduce overall operating costs.

Close proximity to public transportation and amenities contribute to tenant satisfaction, reduced vacancy rates, and increased property cash flows.

Certifications/designation such as LEED certified silver, gold, or platinum are now common in the marketplace and are required for buildings to remain competitive and attract tenants.

Proximity To Public Transportation & Amenities
LOWER INVESTMENT RISK
Certifications/ Designations
Environmental Features & Green Initiatives

Public Equities

ESG is integrated into our investment analysis and decision-making processes.

INTEGRATING RESPONSIBLE INVESTING

We believe identification and consideration of ESG factors enhances long-term investment returns as it provides a more holistic view of risk. Furthermore, strong governance structures protect our interests as a shareholder and provide effective oversight of management.

ESG integration occurs throughout our process — it is integrated into our due diligence, incorporated into the research recommendation, and extends to our post investment analysis.

PRI CASE STUDY

In 2016, PRI published *A practical guide to ESG integration for equity investing*, which showcases ESG-integrated analysis across global asset managers. In addition to being a member of the listed equity integration sub-committee, bcIMC contributed a case study to the publication.

Our submission focused on understanding a potential investment by using both the analytical expertise of fundamental research and ESG specialists during the due diligence of a utility company's initial public offering (IPO).

The full case study is available on the PRI website in their publication, *A practical guide to ESG integration for equity investing.*

Areas where ESG considerations add value:

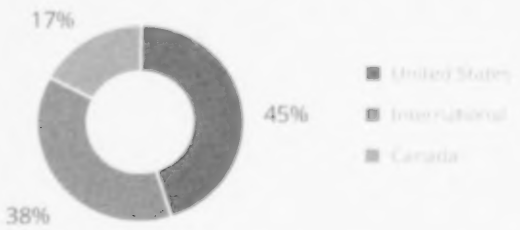
Public Disclosures and Management Interview During discussions with company management we use ESG-focused questions to investigate and understand specific risks. This knowledge helps formulate our investment thesis and decision.

Comprehensive Analysis We identify strengths and weaknesses, and external opportunities or threats (SWOT) that could impact the company.

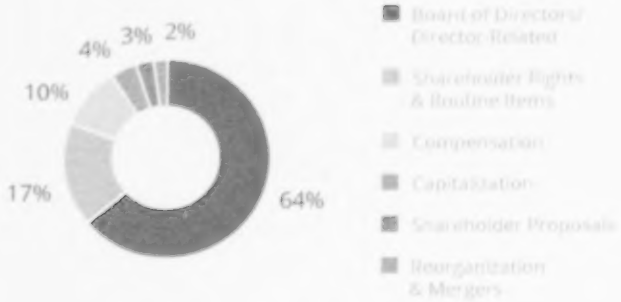
Investment Score and Research Recommendation We calculate an overall investment score, based on five categories — management strength, sector position, performance, financial position, and ESG. The score informs the recommendation, and reflects the influence ESG factors have on our decisions.

PROXY VOTING

As an active owner, we consider informed voting an important component of our commitment to engagement. It fosters good corporate governance and accountability. We conduct all proxy voting activities in-house and vote all our Canadian, U.S., and the most significant global holdings based on market value.



Proposals Voted By Category:



A Closer Look: How Did We Vote On Climate Change-Related Proposals

CLIMATE CHANGE	2016[1]	2015[1]	2014[1]
Number of Proposals bcIMC Voted On	50	39	27
Per cent of Proposals bcIMC Voted in Favour	68%	77%	70%
Average Support from Shareholders	25.1%	24.6%	21.6%
Proposals Receiving Over 50% Support	3	3	0

1 Values do not include proposals withdrawn ahead of AGM.

MEETINGS VOTED:

2,183

↑ **5.5%** INCREASE FROM 2015

COUNTRIES VOTED IN: **47**

PROPOSALS & AGENDA ITEMS ASSESSED:

23,717

OF WHICH WE VOTED:

MANAGEMENT PROPOSALS

28% AGAINST

DIRECTOR NOMINEE PROPOSALS

26% AGAINST / WITHHELD

SAY-ON-PAY / REMUNERATION REPORT PROPOSALS

40% AGAINST

SHAREHOLDER PROPOSALS

58% SUPPORTED

52% E **67%** S **57%** G

NOTEWORTHY VOTES

1 ENVIRONMENTAL: Climate Change Shareholder Proposals

Companies: Rio Tinto Plc. (LSE:RIO); Suncor Energy Inc. (TSX:SU)

How We Voted and Why: We voted in favour of both proposals that called for additional disclosure relating to the companies' exposure to climate change risks. In Suncor's case, the proposal also called for more detail on their environmental risk assessment processes. Additional disclosure helps investors better assess the effects of environmental risks on a company's activities and longer term financial results.

Results: Rio Tinto received 99.2 per cent votes in favour; and Suncor received 98.2 per cent votes in favour. The boards of both companies recommended that shareholders support the proposals.

Outcome: The companies committed to issuing reports on emissions management, asset portfolio resilience, low-carbon energy research and development, transparency about key performance indicators, and engagement with policy makers. The boards' support — uncommon for shareholder proposals — demonstrates collaboration between shareholders, management, and board directors.

bcIMC's Voting Guideline: We typically support proposals that seek additional reporting when there is increasing regulatory pressure and when the proposed actions are likely to enhance a company's reputation as a market leader and its long-term ability to operate.

2 SOCIAL: Human Rights Shareholder Proposals

Company: Potash Corporation of Saskatchewan Inc (TSX:POT)

How We Voted and Why: We voted in favour of the proposal calling on the company to assess its human rights responsibilities related to sourcing phosphate rock from Western Sahara. Shareholders are concerned that legal and reputational risks related to the extraction of these resources have steadily grown; the assessment of the company's actual and potential impacts would be the first step in human rights due diligence.

Results: Although the shareholder proposal failed to pass, it received 31.6 per cent votes in favour.

Outcome: The level of support represents an almost four-fold increase from a similar proposal filed in 2015 and signals that shareholders want to see increased due diligence from Potash Corporation.

bcIMC's Voting Guideline: This proposal aligned with the United Nations Guiding Principles on Business and Human Rights. We believe companies should adopt policies and practices that follow internationally recognized best practice standards and frameworks.

3 GOVERNANCE: Shareholder Rights Compensation (Say-On-Pay) Proposals

Companies: Crescent Point Energy Corp. (TSX:CPG); Canadian Pacific Railway Ltd. (TSX:CP); BP Plc (LSE:BP)

How We Voted and Why: We voted against all three proposals. For Crescent Point and CP Rail, we felt their compensation programs did not sufficiently align pay with performance nor align with best practices. For BP, executives received maximum bonuses while the company reported record annual losses, job cuts, and employee salary freezes.

Results: Crescent Point failed its Say-on-Pay vote with 69.0 per cent votes against; CP Rail failed with 50.1 per cent votes against; and BP failed with 59.3 per cent votes against.

Outcome: While advisory votes on remuneration are mandatory in the United Kingdom, it remains voluntary for Canadian companies to offer shareholders say-on-pay votes on executive compensation. Following the votes, we engaged with board directors at CP Rail and at Crescent Point. BP's remuneration policy will come to a vote on a binding basis next year — as is required in the U.K. every three years.

bcIMC's Voting Guideline: Our primary focus is on pay for performance — basing an executive's overall compensation on specific measurable incentives that motivate and reward improved long-term performance while discouraging undue risk taking.

SHAREHOLDER ENGAGEMENT

As a large-scale investor, it is our responsibility to interact and, where appropriate, challenge companies about their policies and activities.

Our engagement focus is driven by the management of investment risks and we pursue activities that are expected to have the greatest impact on our portfolio. Given the size of the public equities portfolio, bcIMC chooses to be selective, specific, and pragmatic at all times. We handle other issues on a case-by-case basis as necessary to safeguard our clients' best financial interests.

We focus on three priorities that we view as being long-term, widespread business challenges.

1. **Climate Change and Water**

   Almost all sectors will be affected by climate change and it is widely predicted to have large scale economic impacts both directly through extreme weather events and indirectly through regulatory measures to limit greenhouse gas emissions and promote low carbon technologies. Most industries also face water risk which can range from water quality, water quantity, floods, and/or droughts, particularly as the effects of climate change become more acute.

2. Human Rights

   In line with the UN Guiding Principles on Business and Human Rights, our goal is to encourage companies to effectively address risks associated with their direct activities and operations or within their supply chains.

3. Shareholder Rights

   Good corporate governance is the foundation for effective company operations. We focus on board composition and executive compensation.

Details about our priorities can be found in our *2016 ESG Engagement: Public Equities Priorities and Process*.

Direct and Collaborative Company Engagements

bcIMC may engage directly with companies on our own or collaboratively in partnership with other like-minded investors and organizations.

During 2016, we directly engaged with **73** companies, of which 43 were at a comprehensive level. As per PRI's definition, we define this level of engagement as multiple, substantive, detailed discussions or interactions with a company. These interactions may occur over a longer time span than one calendar year. All other activities that do not exhibit this level of engagement are classified as basic. For a breakdown of all of bcIMC's direct engagements, see Appendix 2 on page 25.

Collaboration, which involves working with our peers and presenting a unified voice, can be effective in encouraging change and adopting good corporate practices and standards.

WORKING WITH OUR PEERS AND LIKE-MINDED ORGANIZATIONS

- We engaged with **192** companies, of which involved:
  - 136 with PRI
  - 47 with CCGG
  - 7 with ACGA member-coalitions
  - 2 with other peer-coalitions

Those collaborative engagements where bcIMC took on a more active role in the form of leading or supporting specific company dialogues are listed in Appendix 2.

WORKING WITH EXTERNAL MANAGERS

Our Public Equities department uses a combination of internal and external management. By contracting best-in-class external managers with specialized expertise, we gain exposure to sectors and markets around the world to complement our internal team.

We expect portfolio companies and external managers to manage and report on their risks, and enhance governance and operational practices.

In late 2015 and throughout 2016, we turned our attention to our externally managed funds to ensure our managers are integrating ESG considerations and meeting our expectations. Our goal is not to prescribe a specific approach nor restrict their investment universe. We seek ongoing transparency and disclosure to understand how they assess ESG matters when investing on bcIMC's behalf.

We enhanced our monitoring process to gain both qualitative and quantitative information. In 2015 we surveyed all of our managers seeking a better understanding of their processes, including examples of their ESG integration and engagement. To complement the survey results, in 2016 we introduced quarterly reporting which asks similar questions on an ongoing basis to ensure our data is current. Given the diversity in size, investment style, and experience of our managers, we expect the quarterly responses to vary in terms of how ESG is integrated into their processes and decisions.

The survey results and our ongoing monitoring help us understand our managers' ESG integration processes and policies; how their investment decisions are impacted by responsible investing matters; and ways they assess and/or mitigate ESG risk.

Going forward, responsible investing will be a standard agenda item for meetings held with external managers, and we request all new and potential managers to provide the same information as obtained from the survey initiated in 2015. This is the beginning of ongoing and valuable conversations — we hope to gain knowledge from their experiences and, in turn, share our approach with them.

A SNAPSHOT OF OUR EXTERNAL MANAGERS[1]

- 44.4 per cent of our public equities portfolio is externally managed
- 20 external managers
- Located in North America, Europe, Latin America, and Asia

1 As at December 31, 2016

Private Equity

bcIMC holds long-term investments in privately-held companies and in private equity funds.

Our private equity funds are managed by best-in-class managers with sector and regional expertise. We use fund investments to gain exposure to companies on a global level and to align ourselves with strong performers. Once invested, we regularly promote our responsible investing principles and expect each fund manager to acknowledge their understanding of bcIMC's approach and beliefs.

Working with World Class External Partners

Cinven is a leading international private equity firm with over 20 years of experience in acquiring high-quality companies and using their value creation strategies to help them grow. Their focus is on Europe-based companies, or those with significant European operations, in six sectors — business services, consumer, financial services, healthcare, industrials, and technology, media and telecommunications.

bcIMC has partnered with Cinven since 1996. We invested in their first fund and all subsequent funds to date. Cinven brings a long standing track record for strong investments in the European market — providing bcIMC the opportunity to expand our global footprint.

Cinven became a PRI signatory in 2009. They embed responsible investing matters into their investment and portfolio management process. During their pre-investment due diligence they consider ESG factors as part of their overall risk assessment; assure the company is fully compliant with relevant laws and regulations; seek independent analysis from specialist third-party consultants when needed; and if risks are found, address and rectify the issues raised.

Like bcIMC, Cinven is an active owner — their dedicated ESG steering group directly engages with representatives from the portfolio company. They have regular meetings to discuss industry developments as they relate to responsible investing matters, review companies for issues, and monitor outcomes where action has been agreed upon.

LIMITED PARTNER ADVISORY COMMITTEE (LPAC)

- LPAC members are select limited partners who oversee the governance of a particular private equity fund. Their obligations and capabilities are outlined in the limited partnership agreement associated with the specified fund. They address issues such as conflicts of interest, valuation methodology, and required approvals pre-defined in governing documents.
- As a core investor with Cinven, bcIMC was appointed to serve on the LPAC for their most current and active funds.
- Cinven reports on responsible investing matters to its LPAC members twice yearly including an annual ESG breakout session.

Infrastructure & Renewable Resources

bcIMC's investments in infrastructure and renewable resources are made with a very long-term outlook — sometimes extending beyond 20 years.

For our direct investments, our pre-investment analysis goes beyond financial performance. We commission and review reports on legal, environmental, regulatory, and occupational health & safety matters. We also assess the governance models of each company and propose changes where appropriate. Our post-investment management includes monitoring the company's financial, operational, and ESG performance.

Connecting Established Sustainability Consultants with our Portfolio Companies

DuPont Sustainable Solutions (DuPont) is a world-class sustainability consultant that works with companies to integrate safety policies and procedures within their processes to reduce operational and reputational risk and costs such as fines and insurance premiums. bcIMC had worked with DuPont in the past and we recognized their value-add to enhancing operations. Therefore we encouraged several of our portfolio companies to attend a Vancouver workshop hosted by them in 2015.

TimberWest Forest Corp. subsequently appointed the consultant to enhance its training processes with the goal of ultimately improving health and safety for the company.

In early 2016 DuPont began their assessment by collecting data within the contractor community from multiple sources. Their activities included a safety perception survey, interviews and focus groups, and field assessments. The data formed a snapshot of the overall safety culture. DuPont then recommended and, with the support of TimberWest's board of directors, implemented an action plan for the company and its contract workers.

With DuPont's help, TimberWest's management is shifting the work culture from accepting job-associated risks as being a characteristic of the logging industry to one where "every safety incident is preventable." Dupont continues to monitor and track outcomes by providing ongoing assistance to TimberWest. To date, TimberWest is reporting improved health and safety statistics.

TIMBERWEST FOREST CORP.

We hold TimberWest, Western Canada's largest private timber and land management company within our Renewable Resources program. bcIMC first invested in it in 2009 through convertible debentures then took the company private in 2011, partnering with Public Sector Pension Investment Board. As a significant owner, we have two seats on the board giving us the opportunity to provide input into the company's strategic direction. We serve on their safety, health & stewardship committee allowing us to oversee its practises and receive reports on safety procedures and standards.

Real Estate

As property investments involve longer time horizons than other asset classes, our investment strategies consider longer-term issues and the consequences these may have on fund and asset performance.

Responsible property investing allows us to integrate environmental, social, and governance issues into our decisions, especially where bcIMC can exert significant influence. In so doing, we can build a resilient real estate program that maximizes the value of our holdings without undue risk of loss while also positioning the portfolio for future opportunities.

Longer term issues include changes in regulations that govern environmental and social matters, and the evolving expectations of consumers and tenants. Physical risks to our properties resulting from climate change, flooding, and droughts as well as changing societal needs that may influence macro real estate trends are considered. As our clients' investment manager, bcIMC has a responsibility to understand the implications of these issues and seek appropriate risk adjusted investment returns. We pursue economic ways of ensuring the viability of the properties we buy, develop, and manage for the long-term.

bcIMC is committed to:

1. Integrating responsible property investing throughout our policies, due diligence activities, investment mandates, partnerships, property strategies, and business plans.
2. Communicating, engaging, and encouraging our stakeholders (investment partners, external advisors, property managers, tenants, and suppliers) to align with bcIMC's practices.
3. Tracking and understanding the consumption and emission trends of our domestic portfolio.
4. Enhancing tenant satisfaction and acceptance by the local community.
5. Supporting initiatives that enhance responsible property investing policies and practices.
6. Adopting sound governance practices to enhance the performance of our real estate business enterprises.

In 2016, we launched QuadReal Property Group, an independent privately held company created to manage bcIMC's more than $18 billion in real estate assets. As a direct investment for bcIMC, we share a strong alignment of interests and expect QuadReal to continue our commitment to responsible property investing.

RESPONSIBLE PROPERTY INVESTING PRINCIPLES

Within a highly competitive investing environment for quality properties, development can be a more cost-effective and prudent approach to expanding our clients' real estate portfolios.

In 2014, bcIMC established design principles and standards to guide decision-making processes for developing multi-residential properties. These ensure best practices are applied across the portfolio while considering current and future tenant profiles. The guidelines cover a range of specifications for development projects, including a set of responsible property investing considerations.

1. Assess RPI opportunities/features to ensure they maximize the value of our investment
2. Consider sustainability standards such as LEED, BOMA BESt, and Built Green; and consider merits of certification based on market demand and return on investment
3. Prepare investments for the potential of increased utility costs
4. Maintain or enhance competitive advantages within the market (e.g. meet tenant demands for green features within properties)
5. Seek opportunities to align with municipal sustainability goals
6. Integrate monitoring networks and control systems within building infrastructure
7. Include a variety of amenities and options for tenants
8. Incorporate environmentally sustainable landscape and irrigation techniques such as drought resistant plant species
9. Choose renewable energy and sustainable building practices and material selection wherever possible and financially practical

bcIMC's Policy Submissions

bcIMC advocates for legal and regulatory changes that make responsible investing principles part of the regulatory framework and improve the investment environment for all investors.

By engaging with Canadian and international regulators and standard-setting bodies, our activities are aimed at addressing systemic risks, with the expectation that our efforts will lead to greater stability and integrity within the markets.

As a long-term investor, we recognize that meaningful, large-scale change takes time. bcIMC's interactions with regulators and policymakers often span years. The following is a comprehensive list of our policy submissions in 2016.

Advancing Responsible Investing Within the Investment Industry

1. Co-signed letter, along with Canadian investors, to the CFA Society Toronto on the ESG content in the CFA Program and Continuous Education Program
2. Responded to International Corporate Governance Network (ICGN): Member Consultation on ICGN Global Stewardship Code
3. Responded to PRI consultation on Recognizing Diversity and Strengthening Accountability
4. Responded to PRI consultation on Sustainable Financial System, Principles, Impacts

Capital Markets Stability

5. Commented to U.S. Securities and Exchange Commission on the Status of the IEX (Investors' Exchange) Application to Become a Registered Stock Exchange
6. Co-signed letter, along with Global Investors, to the U.S. Securities and Exchange Commission Commenting on the IEX (Investors' Exchange) Application to Become a Registered Stock Exchange
7. Joined Pension Funds Commenting on Canadian Securities Administration (CSA) Multilateral Staff Notice 54-304 Final Report on Review of the Proxy Voting Infrastructure
8. Responded to Hong Kong Securities, Futures Commission, and the Stock Exchange of Hong Kong Limited: Joint Consultation Paper on Proposed Enhancements to the Exchange's Decision-Making and Governance Structure for Listing Regulation
9. Signed onto the Fiduciary Duty in the 21st Century Global Statement on Investor Obligations and Duties led by the PRI, United Nations Environment Programme – Finance Initiative (UNEP FI) and The Generation Foundation

Corporate Governance

10. Consultation by Proxy Advisory Firm ISS: ISS Policy Survey
11. Co-signed letter, along with Canadian institutional investors, to the Financial Stability Board (FSB) Peer Review on the Organisation for Economic Co-operation and Development (OECD) Principles of Corporate Governance
12. Provided comments to Global Affairs Canada as part of a consultation by the OECD on the application of the OECD Guidelines for Multinational Enterprises on institutional investors
13. Responded to member consultation on International Corporate Governance Network (ICGN) Guidance on Diversity on Boards

14. Responded to Ontario Business Law Advisory Council: Public Consultation on proposed amendments to the *Ontario Business Corporations Act*

15. Responded to U.S. Securities and Exchange Commission: Notice of Proposed Rulemaking on Incentive-based Compensation Arrangements

16. Sent letter to Canada's Minister of Innovation, Science and Economic Development on Bill C-25: An act to amend the *Canada Business Corporations Act*, the *Canada Cooperatives Act*, the *Canada Not-for-Profit Corporations Act*, and the *Competition Act*

17. Submitted comments to Japan Financial Services Agency's Council of Experts concerning the Follow-up of Japan's Stewardship Code and Corporate Governance Code

Reporting and Disclosure

18. Co-signed, along with other investors, onto an investor statement on the importance of consistent water risk disclosure and adequate water risk management by oil and gas companies

19. Joined Global Asset Owners in Responding to Tokyo Stock Exchange: Consultation on Increasing Flexibility of Earnings Reports and Quarterly Earnings Reports

20. Responded to Alberta Securities Commission's Public Consultation on Amending the National Instrument on Disclosure of Corporate Governance Practices with Enhanced Disclosure on Gender Diversity and Board Renewal

21. Responded to European Commission Directorate-General for Financial Stability, Financial Services and Capital Markets: Public consultation on non-binding guidelines for reporting of non-financial information by companies

22. Responded to Singapore Exchange Limited: Public Consultation on Sustainability Reporting by Issuers

23. Responded to Sustainability Accounting Standards Board (SASB): Consultation on its Conceptual Framework

24. Responded to the Phase 1 report of the Financial Stability Board (FSB) Task Force on Climate - Related Financial Disclosures

25. Responded to United Kingdom Department for Business Innovation & Skills: Public consultation on the implementation of the European Union directive on reporting of non-financial information

26. Responded to U.S. Securities and Exchange Commission: Business and Financial Disclosure Required by Regulation S-K

27. Responded to U.S. Securities and Exchange Commission: Signed on to an Investor Letter Commenting on the Proposed Rule for the Disclosure of Payments by Resource Extraction Issuers

For more information on our policy submissions, please refer to our website (www.bcimc.com).

Collaboration

Working with like-minded investors and organizations helps bcIMC more effectively deploy our resources and strengthen our voice. We have collaborative partnerships with:

Signatory of:

PRI Principles for Responsible Investment

- Founding signatory in 2006
- Active member of steering committees and working groups

Canadian Bond Investors Association
Association canadienne des investisseurs obligataires

- Founding member in 2011
- Serve on board of directors
- Member of financial regulation committee

30% Club
GROWTH THROUGH DIVERSITY

- Member since 2016: one of 64 Canadian chapter members
- Member of steering committee
- Advocate for companies to enhance gender diversity

Canadian Coalition for GOOD GOVERNANCE
THE VOICE OF THE SHAREHOLDER

- Founding member in 2004
- Served as the CCGG chair (2006–2009)
- Serve on board of directors
- Member of the public policy committee
- Member of the environment and social committee

ACGA
Asian Corporate Governance Association

- Member since 2005
- Contribute and support to regulatory efforts

CANADIAN FIXED INCOME FORUM

- Member since 2015

BOMA Canada

- Member of the national advisory council since 2012

CPA CHARTERED PROFESSIONAL ACCOUNTANTS CANADA COMPTABLES PROFESSIONNELS AGRÉÉS CANADA

- Member of climate disclosure review advisory committee since 2016

CDP
DRIVING SUSTAINABLE ECONOMIES

- Former member of CDP Canada advisory council
- Signatory to climate change program since 2006
- Signatory to water program since 2009
- Investor member since 2016

GLOBAL ASSET OWNER FORUM

- Participant since 2016: one of 12 asset owners
- Fosters exchange of ideas and opinions in global public pension funds on ESG
- Coordinated by Japan Government Pension Investment Fund (JGPIF)

EITI Extractive Industries Transparency Initiative

- Investor signatory since 2011

PIAC Pension Investment Association of Canada
Association canadienne des gestionnaires de caisses de retraite

- Member of investor stewardship committee
- Serve on board of directors

ICGN
International Corporate Governance Network

- Member since 2005

RIA

- Member since 2007

ilpa
INSTITUTIONAL LIMITED PARTNERS ASSOCIATION

- Member since 2002

SASB

- Member of investor advisory group since 2016
- One of 24 asset owners
- Mandate is to promote standards for sustainability reporting

Events

We further industry awareness by organizing or speaking and moderating at conferences; our activities in 2016 included:

1

2016 BC PENSION SUMMIT

February | Vancouver, Canada

TOPIC: Building Sustainable Capital Markets — The Role of Investors

2

SHARE BC PENSION FORUM 2016

February | Vancouver, Canada

TOPIC: Active Ownership: Good Returns through Good Employment

3

WESTERN NORTH AMERICAN PRI NETWORK

April | Vancouver, Canada

TOPIC: Engaging on ESG with External Managers

4

CANADIAN INVESTOR RELATIONS INSTITUTE (CIRI) ANNUAL CONFERENCE

June | Québec City, Canada

TOPIC: What Investors Want from CSR Reports but Aren't Getting

5

DIRECTOR-SHAREHOLDER ROUNDTABLE

June | Calgary, Canada

TOPIC: Board Leadership on Compensation and Related Governance

6

PRI 10 YEAR GLOBAL WORKSHOP SERIES

June | Toronto, Canada

TOPIC: PRI ESG Integration: Different Perspectives Across the Investment Value Chain

7

WOMEN IN CAPITAL MARKETS

September | Vancouver, Canada

TOPIC: Careers in Motion Series: Tackling Promotion and Raise Discussions

8

LOMBARD ODIER PANEL DISCUSSION

October | Admiralty, Hong Kong

TOPIC: Investing in a Low Carbon World

9

BROADRIDGE INSTITUTIONAL INVESTOR AND CORPORATE ISSUER ROUNDTABLE FORUM

October | Vancouver, Canada

TOPIC: 2016 Proxy Season Review

10

PRI QUÉBEC NETWORK

October | Montréal, Canada

TOPIC: Responsible Investing Practices of Large Institutional Investors

11

CANADIAN BOND INVESTORS ASSOCIATION ANNUAL CONFERENCE

November | Toronto, Canada

TOPIC: ESG in Fixed Income Investing

12

WESTERN NORTH AMERICAN PRI NETWORK

November | Berkeley, United States

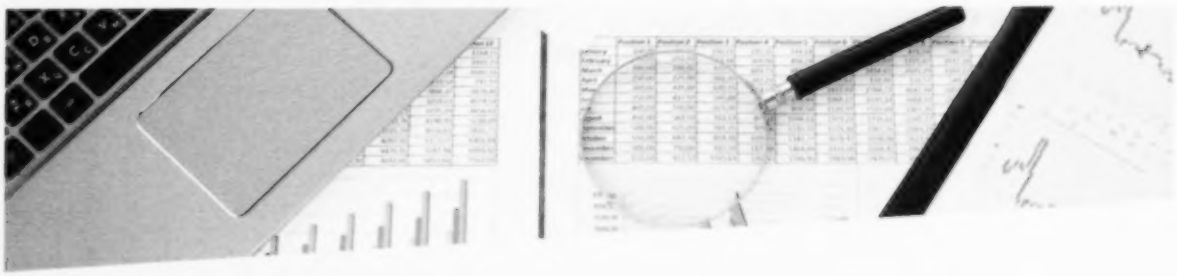
TOPIC: Responsible Investing Education

13

WOMEN IN CAPITAL MARKETS

November | Toronto, Canada

TOPIC: How to Build a Better and More Diverse Corporate Board



Reporting and Disclosure

As a founding member of the PRI, bcIMC has pragmatically applied the principles to our operations — including a commitment to reporting our activities to clients and publicly disclosing our initiatives.

Our reporting included participating in the annual PRI survey — a valuable tool used to assess our responsible investing practices across our asset classes and provide a benchmark against our peers. The 2016 results reported that bcIMC generally performed well in all asset classes, scoring either in-line or better than our peers when ranked.

This year we produced a responsible investing video that provides an overview of our responsible investing approach, beliefs, and principles. The video was created for our clients, staff, and external audiences.

Additionally, we reviewed and updated our *ESG Engagement: Public Equities Priorities & Processes*. Changes to the document included adding water to the climate change focus area; outlining our expectations for companies within each priority; and being more transparent about determining our priorities and process.

We also disclose our proxy votes, and rationale for when we voted against a proposal, ahead of a publicly-traded company's annual general meeting. The searchable database, available on our website, provides an account of our voting.

Publications available on our website include:

- Three Responsible Investing Newsletters — published throughout the year. Topics for 2016 were climate change, occupational health & safety, and board of directors.
- Our Responsible Investing Annual Report
- *An Overview of bcIMC's Approach to Responsible Investing*
- *Proxy Voting Guidelines*
- *ESG Engagement: Public Equities Priorities & Processes*
- An annual *PRI Transparency Report*

Throughout the year, bcIMC also briefs clients on specific initiatives and responsible investing trends, as well as assists them with their stakeholder communication.

Appendix

APPENDIX 1

bcIMC's Responsible Investing Principles

Each of our asset classes is responsible for integrating and embedding responsible investing into their investment processes. This is an ongoing priority and we continue to expand our programs and practices. Each asset class serves as a knowledge centre for bcIMC and monitors the trends and advancements in responsible investing practices and approaches.

The following eight principles guide our approach:

1. As our primary responsibility is to **ensure enduring long-term investment returns**, environmental, social, and governance matters are addressed when these factors present material risk to an investment and/or the portfolio.
2. As significant ESG risks vary between asset classes, regions, sectors, and companies, **we adapt our approach and strategy to what is appropriate** for the investment.
3. **Knowledge and reason**, while looking out for our clients' investment return expectations, **inform our responsible investing decisions and activities**.
4. We **encourage companies to identify practical and realistic solutions to ESG risks**, and recognize that **introducing good governance and operational practices takes time.**
5. We **must own a company to be able to influence** its governance and operational practices. As a long-term owner, we have a responsibility to interact with companies about their governance structures, policies, and operations.
6. We believe that **engaging is more effective in seeking to initiate change** than divesting, and that aligning with like-minded investors and organizations is sometimes more effective than working in isolation.
7. As a significant investor, we have a **duty to advance responsible investing within the investment industry**.
8. As responsible investing continues to evolve, integrating ESG considerations into our investment approach is **constantly under development**; we shall continuously learn from our own practices and experience.

APPENDIX 2

Publicly Listed Company Engagements

JANUARY 1 TO DECEMBER 31, 2016

C = COMPREHENSIVE (DIRECT)
B = BASIC (DIRECT)
L = LEADING ROLE (COLLABORATIVE)
S = SUPPORTIVE ROLE (COLLABORATIVE)

COMPANY	COUNTRY	E	S	G
CONSUMER DISCRETIONARY				
Canadian Tire Corporation Limited	Canada			C
Cogeco Inc.	Canada			B
Dollarama Inc.	Canada	B	B	B
Dorel Industries Inc.	Canada		B	B
Magna International Inc.	Canada			B
Quebecor Inc.	Canada			B
Restaurant Brands International Inc.	Canada			C
Uni-Select Inc.	Canada			B
CONSUMER STAPLES				
Alimentation Couche-Tard Inc.	Canada	B		
Asahi Group Holdings, LTD.	Japan	B	B	B
Charoen Pokphand Foods Public Company Limited	Thailand		S	
Empire Company Limited	Canada			B
Metro Inc.	Canada	B	B	B
Procter & Gamble Co.	United States	C		
ENERGY				
ARC Resources Ltd.	Canada	B	B	
Canadian Energy Services & Technology Corp.	Canada			S
Canadian Natural Resources Limited	Canada	L + C		
Cenovus Energy Inc.	Canada	C		B

COMPANY	COUNTRY	E	S	G
ENERGY				
Chevron Corporation	United States	C	S	
China Petroleum & Chemical Corporation	China		S	
Crescent Point Energy Corp.	Canada	B		C
EnCana Corporation	Canada	C		B
EOG Resources, Inc.	United States	B	S	
Exxon Mobil Corporation	United States	C	S	
Husky Energy Inc.	Canada	C		B
Imperial Oil Limited	Canada	C		
Inter Pipeline LTD.	Canada	C		
Kinder Morgan, Inc.	United States	C		
Lukoil	Russia		S	
MEG Energy Corp.	Canada	C		
Pembina Pipeline Corporation	Canada	C		
PetroChina Company Limited	China	C	S	
Precision Drilling Corporation	Canada	B		
Royal Dutch Shell plc	Netherlands	C	S	
Schlumberger Limited	United States	C		
Secure Energy Services Inc.	Canada		B	
Suncor Energy Inc.	Canada	C		B
TonenGeneral Sekiyu K.K.	Japan	B	B	B
TORC Oil & Gas Ltd.	Canada			S
Total S.A.	France		S	
TransCanada Corporation	Canada	C	B	
Veresen Inc.	Canada			B
Vermilion Energy Inc.	Canada	B		

COMPANY	COUNTRY	E	S	G
FINANCIALS				
Bank of Montreal	Canada			C
Brookfield Asset Management, Inc.	Canada			C
Canadian Imperial Bank of Commerce	Canada			B
Industrial Alliance Insurance & Financial Services Inc.	Canada			C
Laurentian Bank of Canada	Canada			C
Manulife Financial	Canada			C
Royal Bank of Canada	Canada			B
Shinhan Financial Group	South Korea			S
TMX Group Limited	Canada	L	L	
HEALTHCARE				
Valeant Pharmaceuticals International, Inc.	Canada			C
INDUSTRIALS				
Air Canada	Canada	C	C	C
Canadian National Railway Company	Canada			B
Canadian Pacific Railway Limited	Canada			C
SNC-Lavalin Group Inc.	Canada			C
Stantec Inc.	Canada			B
Toromont Industries Ltd.	Canada			B
INFORMATION TECHNOLOGY				
Apple Inc.	United States	C		
Fujitsu Ltd.	Japan			B
Mitel Networks Corporation	Canada	B	B	B
Samsung Electronics Co., Ltd.	South Korea			S
MATERIALS				
Agnico-Eagle Mines Ltd.	Canada			C
Agrium Inc.	Canada		C	
Alacer Gold Corp.	Canada	B	B	

COMPANY	COUNTRY	E	S	G
MATERIALS				
Anglo American plc	United Kingdom	S		
Barrick Gold Corporation	Canada	B	B & S	C
BHP Billiton Ltd.	Australia		S	
Dominion Diamond Corporation	Canada		B	B
Eldorado Gold Corporation	Canada	B	B & L	
First Quantum Minerals Ltd.	Canada		L	
Goldcorp Inc.	Canada	C	C & S	
New Gold Inc.	Canada	B	B	
Pan American Silver Corporation	Canada	C		
Sherritt International Corporation	Canada			C
Silver Wheaton Corp.	Canada			C
Stella-Jones Inc.	Canada	B		B
Teck Resources Limited	Canada		B	C
Vale S.A.	Brazil		S	
REAL ESTATE				
RioCan Real Estate Investment Trust	Canada			C
TELECOMMUNICATION SERVICES				
TELUS Corporation	Canada			C
UTILITIES				
Algonquin Power & Utilities Corp.	Canada	C	C	B
ATCO Ltd.	Canada	C	B	
Fortis Inc.	Canada		B	C
Red Eléctrica Corporación	Spain	B		B

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